



ARKANSAS DEVELOPMENT FINANCE AUTHORITY BEGINNING FARMER LOAN PROGRAM FACT SHEET

WHAT: Tax-exempt bond program designed to assist Beginning Farmers in the state of Arkansas acquire agricultural property (land, buildings, equipment and breeding stock) at lower interest rates. The program enables lending institutions, individuals, partnerships and corporations to receive tax-exempt interest for direct loans or contract sales made to Beginning Farmers. The maximum principal amount of the loan cannot exceed \$250,000; used depreciable equipment not exceeding \$62,500 may be included in this principal amount. Funds to be used for the acquisition or construction of a residence may not exceed 3% of the principal amount of the loan.

WHO: A person must be a *"First-time Farmer"* to be eligible for assistance under the program. A "First-time Farmer" is an individual who has not at any time had any direct or indirect ownership interest in *"substantial farmland"* which he operated or materially participated in operating. "Substantial farm land" means any parcel of land unless (i) the parcel is less than 30% of the median size of a farm in the county in which the parcel is located and (ii) the fair market value of the land does not now and has not at any prior time exceeded \$125,000.

HOW: To participate in the program, the borrowers and lenders will jointly submit applications provided by ADFA. The local lender arranges the loan, including the interest rate, length of loan, repayment schedule, security and collateral needed. The ADFA will issue a tax-exempt private activity bond to finance each loan. The loan and its collateral will be assigned to the lender as security for the bond.

WHY: Through participation in the program the lender receives tax-exempt interest income which allows the Beginning Farmer to borrow funds at lower interest rates than available through conventional sources.